

# ORLAND UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2015

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

ORLAND UNIFIED SCHOOL DISTRICT  
OF GLENN COUNTY

ORLAND, CALIFORNIA

JUNE 30, 2015

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Orland Unified School District is located in Glenn County, California. The District was established in 1918. There were no changes in the boundaries of the District during the current year. The District is currently operating two elementary schools, one intermediate school, one high school, one continuation high school, one community day school, and one independent study program.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Connie Carter	President	2016
Jeff Aguiar	Clerk	2016
Larry Donnelley	Member	2016
Erika Fuentes	Member	2018
Michelle Allen	Member	2018

**DISTRICT ADMINISTRATORS**

Ken Geisick  
*Superintendent*

Jeff Scheele  
*Assistant Superintendent*

Karen Gosting  
*Chief Business Official*

**ORLAND UNIFIED SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2015**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Orland Unified School District  
Orland, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orland Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Orland Unified School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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*Licensed by the California  
State Board of Accountancy*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orland Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As described in Note 1 to the financial statements, in 2015 Orland Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orland Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of Orland Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orland Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 4, 2015



**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

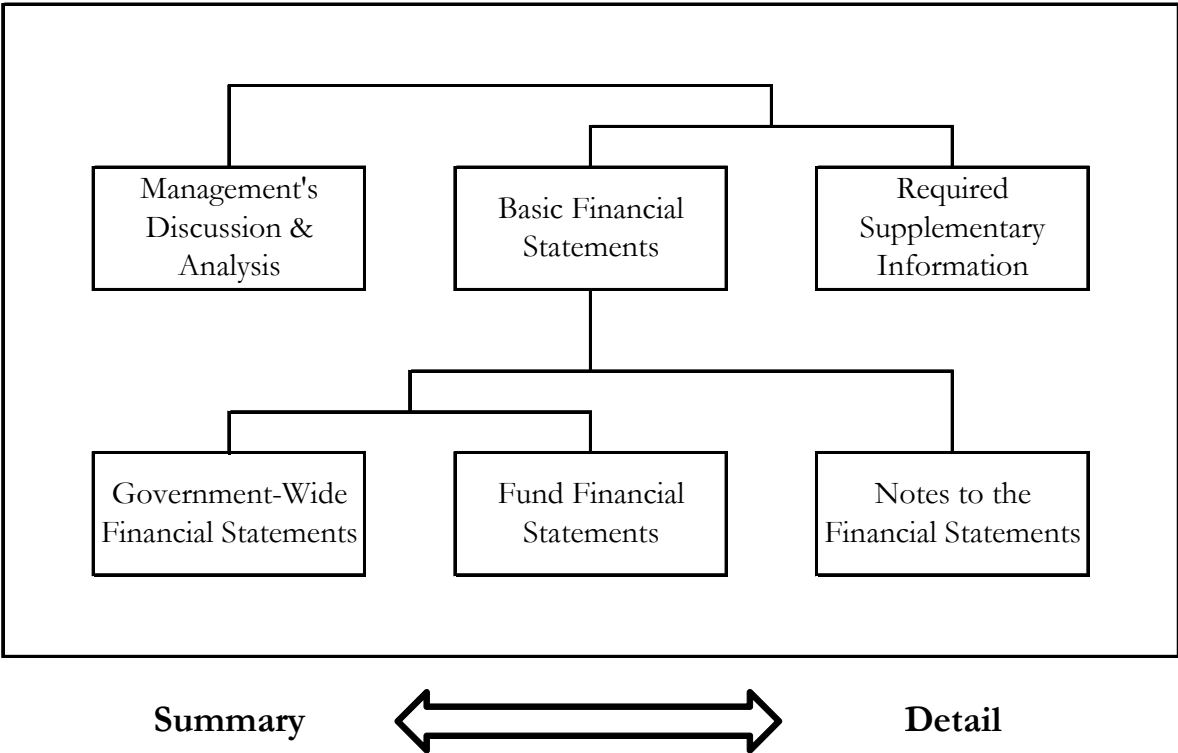
Our discussion and analysis of Orland Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ▶ Total net position was \$(5,503,999) at June 30, 2015. This was a decrease of \$15,581,208 from the prior year before restatement.
  
- ▶ Overall revenues were \$22,549,792 which was less than expenses of \$23,283,615.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**



ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2015

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. LCFF funding and federal and state grants finance most of these activities.

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was \$(5,503,999) at June 30, 2015, as reflected in the table below. Of this amount, a deficit \$16,642,325 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 6,272,386	\$ 7,104,203	\$ (831,817)
Capital assets	30,589,302	31,419,550	(830,248)
<b>Total Assets</b>	<b>36,861,688</b>	<b>38,523,753</b>	<b>(1,662,065)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,293,163</b>	<b>560,443</b>	<b>732,720</b>
<b>LIABILITIES</b>			
Current liabilities	2,328,261	3,675,008	(1,346,747)
Long-term liabilities	37,620,324	25,331,979	12,288,345
<b>Total Liabilities</b>	<b>39,948,585</b>	<b>29,006,987</b>	<b>10,941,598</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>3,710,265</b>	<b>-</b>	<b>3,710,265</b>
<b>NET POSITION</b>			
Net investment in capital assets	9,163,303	9,039,336	123,967
Restricted	1,975,023	2,549,521	(574,498)
Unrestricted	(16,642,325)	(1,511,648)	(15,130,677)
<b>Total Net Position</b>	<b>\$ (5,503,999)</b>	<b>\$ 10,077,209</b>	<b>\$ (15,581,208)</b>

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 137,402	\$ 168,416	\$ (31,014)
Operating grants and contributions	2,579,090	3,636,961	(1,057,871)
General revenues			
Property taxes	5,254,498	4,975,993	278,505
Unrestricted federal and state aid	13,951,555	11,584,439	2,367,116
Other	627,247	294,663	332,584
<b>Total Revenues</b>	<b>22,549,792</b>	<b>20,660,472</b>	<b>1,889,320</b>
<b>EXPENSES</b>			
Instruction	13,301,174	11,290,037	2,011,137
Instruction-related services	2,072,145	1,966,230	105,915
Pupil services	2,394,613	2,486,508	(91,895)
General administration	1,565,457	1,493,779	71,678
Plant services	1,807,050	1,931,067	(124,017)
Ancillary and community services	157,709	144,688	13,021
Debt service	1,251,900	1,226,740	25,160
Other Outgo	733,567	449,625	283,942
<b>Total Expenses</b>	<b>23,283,615</b>	<b>20,988,674</b>	<b>2,294,941</b>
<b>Change in net position</b>	<b>(733,823)</b>	<b>(328,202)</b>	<b>(405,621)</b>
<b>Net Position - Beginning, as restated*</b>	<b>(4,770,176)</b>	<b>10,405,411</b>	<b>(15,175,587)</b>
<b>Net Position - Ending</b>	<b>\$ (5,503,999)</b>	<b>\$ 10,077,209</b>	<b>\$ (15,581,208)</b>

\* Restatement to Beginning Net Position relates to both the 2015 year and the 2014 year

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

The net cost of services for all our governmental activities this year was \$20,567,123 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only \$5,254,498 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	<b>Net Cost of Services</b>	
	<b>2015</b>	<b>2014</b>
Instruction	\$ 11,819,523	\$ 9,282,066
Instruction-related services	2,071,506	1,941,164
Pupil services	1,214,746	1,032,888
General administration	1,529,297	1,317,125
Plant services	1,806,926	1,887,177
Ancillary and community services	157,709	144,688
Debt service	1,251,900	1,226,740
Transfers to other agencies	715,516	351,449
<b>Total Expenses</b>	<b>\$ 20,567,123</b>	<b>\$ 17,183,297</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$3,478,995, which is more than last year's ending fund balance of \$2,804,549. The District's General Fund had \$768,999 more in operating revenues than expenditures for the year ended June 30, 2015. The District's Bond Interest & Redemption Fund had \$87,984 more in operating revenues than expenditures for the year ended June 30, 2015.

**CURRENT YEAR BUDGET 2014-15**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval following the First Interim and Second Interim reporting period to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2014-15 the District had invested \$30,589,302 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 444,595	\$ 444,595	\$ -
Land improvements	1,767,813	1,715,456	52,357
Buildings & improvements	39,825,767	39,825,767	-
Furniture & equipment	2,288,212	2,204,141	84,071
Accumulated depreciation	(13,737,085)	(12,770,409)	(966,676)
<b>Total Capital Assets</b>	<b>\$ 30,589,302</b>	<b>\$ 31,419,550</b>	<b>\$ (830,248)</b>

**Long-Term Liabilities**

At year-end, the District had \$37,620,324 in long-term liabilities, an increase of \$12,288,345 from last year before restatement – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 17,837,283	\$ 17,593,699	\$ 243,584
Total certificates of participation	4,685,885	5,632,156	(946,271)
Capital leases	330,157	348,787	(18,630)
Early retirement incentive	324,948	297,716	27,232
Compensated absences	112,617	111,591	1,026
Net OPEB obligation	1,954,613	1,689,027	265,586
Net pension liability	12,786,843	-	12,786,843
Less: current portion of long-term debt	(412,022)	(340,997)	(71,025)
<b>Total Long-term Liabilities</b>	<b>\$ 37,620,324</b>	<b>\$ 25,331,979</b>	<b>\$ 12,288,345</b>

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 2%-3% annually over the next two years with little chance of recession, according to the UCLA Anderson Economic Forecast for September 2015. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective in the 2014-15 fiscal year. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pension plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years, and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2015-16 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Orland Unified School District, 1320 Sixth Street; Orland, California 95963.

ORLAND UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,271,901
Accounts receivable	976,290
Inventory	23,385
Prepaid expenses	810
Capital assets, not depreciated	444,595
Capital assets, net of accumulated depreciation	30,144,707
<b>Total Assets</b>	<u>36,861,688</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	1,012,941
Deferred amount on refunding	280,222
<b>Total Deferred Outflows of Resources</b>	<u>1,293,163</u>
<b>LIABILITIES</b>	
Accrued liabilities	977,614
Unearned revenue	30,018
Claims liability	908,607
Long-term liabilities, current portion	412,022
Long-term liabilities, non-current portion	37,620,324
<b>Total Liabilities</b>	<u>39,948,585</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	3,710,265
<b>Total Deferred Inflows of Resources</b>	<u>3,710,265</u>
<b>NET POSITION</b>	
Net investment in capital assets	9,163,303
Restricted:	
Capital projects	109,001
Debt service	1,461,884
Educational programs	259,669
All others	144,469
Unrestricted	(16,642,325)
<b>Total Net Position</b>	<u>\$ (5,503,999)</u>

The accompanying notes are an integral part of these financial statements.



**ORLAND UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 13,301,174	\$ -	\$ 1,481,651	\$ (11,819,523)
Instruction-related services				
Instructional supervision and administration	188,850	-	639	(188,211)
Instructional library, media, and technology	344,322	-	-	(344,322)
School site administration	1,538,973	-	-	(1,538,973)
Pupil services				
Home-to-school transportation	603,307	-	-	(603,307)
Food services	1,174,039	137,402	847,556	(189,081)
All other pupil services	617,267	-	194,909	(422,358)
General administration				
Centralized data processing	246,241	-	-	(246,241)
All other general administration	1,319,216	-	36,160	(1,283,056)
Plant services	1,807,050	-	124	(1,806,926)
Ancillary services	157,709	-	-	(157,709)
Interest on long-term debt	1,251,900	-	-	(1,251,900)
Other Outgo	733,567	-	18,051	(715,516)
<b>Total Governmental Activities</b>	<b>\$ 23,283,615</b>	<b>\$ 137,402</b>	<b>\$ 2,579,090</b>	<b>(20,567,123)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				4,560,033
Property taxes, levied for debt service				694,465
Federal and state aid not restricted for specific purposes				13,951,555
Interest and investment earnings				20,834
Interagency revenues				234,302
Miscellaneous				372,111
<b>Subtotal, General Revenue</b>				<b>19,833,300</b>
<b>CHANGE IN NET POSITION</b>				<b>(733,823)</b>
<b>Net Position - Beginning, as Restated</b>				<b>(4,770,176)</b>
<b>Net Position - Ending</b>				<b>\$ (5,503,999)</b>

The accompanying notes are an integral part of these financial statements.

ORLAND UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,621,317	\$ 1,125,914	\$ 696,991	\$ 3,444,222
Accounts receivable	755,078	1,180	156,848	913,106
Due from other funds	59,042	-	451,887	510,929
Stores inventory	-	-	23,385	23,385
Prepaid expenditures	810	-	-	810
<b>Total Assets</b>	<b>\$ 2,436,247</b>	<b>\$ 1,127,094</b>	<b>\$ 1,329,111</b>	<b>\$ 4,892,452</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 849,160	\$ -	\$ 23,350	\$ 872,510
Due to other funds	451,887	-	59,042	510,929
Unearned revenue	30,018	-	-	30,018
<b>Total Liabilities</b>	<b>1,331,065</b>	<b>-</b>	<b>82,392</b>	<b>1,413,457</b>
<b>FUND BALANCES</b>				
Nonspendable	4,468	-	23,385	27,853
Restricted	259,669	1,127,094	745,502	2,132,265
Committed	-	-	300,726	300,726
Assigned	200,345	-	177,106	377,451
Unassigned	640,700	-	-	640,700
<b>Total Fund Balances</b>	<b>1,105,182</b>	<b>1,127,094</b>	<b>1,246,719</b>	<b>3,478,995</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,436,247</b>	<b>\$ 1,127,094</b>	<b>\$ 1,329,111</b>	<b>\$ 4,892,452</b>

The accompanying notes are an integral part of these financial statements.

**ORLAND UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2015**

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**Total Fund Balance - Governmental Funds** \$ 3,478,995

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 44,326,387	
Accumulated depreciation	(13,737,085)	30,589,302

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

280,222

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(105,104)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 17,837,283	
Total certificates of participation	4,685,885	
Capital leases	330,157	
Early retirement incentive	324,948	
Compensated absences	112,617	
Net OPEB obligation	1,954,613	
Net pension liability	12,786,843	(38,032,346)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 1,012,941	
Deferred inflows of resources related to pensions	(3,710,265)	(2,697,324)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

982,256

**Total Net Position - Governmental Activities** \$ (5,503,999)

The accompanying notes are an integral part of these financial statements.

ORLAND UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 17,394,381	\$ -	\$ -	\$ 17,394,381
Federal sources	967,075	-	1,012,136	1,979,211
Other state sources	1,128,210	9,973	78,815	1,216,998
Other local sources	1,011,382	688,084	234,762	1,934,228
<b>Total Revenues</b>	<b>20,501,048</b>	<b>698,057</b>	<b>1,325,713</b>	<b>22,524,818</b>
<b>EXPENDITURES</b>				
Current				
Instruction	12,443,128	-	-	12,443,128
Instruction-related services				
Instructional supervision and administration	178,060	-	-	178,060
Instructional library, media, and technology	333,880	-	-	333,880
School site administration	1,476,121	-	-	1,476,121
Pupil services				
Home-to-school transportation	587,651	-	-	587,651
Food services	-	-	1,146,296	1,146,296
All other pupil services	582,843	-	-	582,843
General administration				
Centralized data processing	239,805	-	-	239,805
All other general administration	1,273,474	-	600	1,274,074
Plant services	1,760,122	-	-	1,760,122
Facilities acquisition and maintenance	79,797	-	43,493	123,290
Ancillary services	149,687	-	-	149,687
Transfers to other agencies	297,083	-	-	297,083
Debt service				
Principal	124,965	265,000	18,630	408,595
Interest and other	205,433	345,073	299,231	849,737
<b>Total Expenditures</b>	<b>19,732,049</b>	<b>610,073</b>	<b>1,508,250</b>	<b>21,850,372</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>768,999</b>	<b>87,984</b>	<b>(182,537)</b>	<b>674,446</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	300,016	300,016
Transfers out	(300,016)	-	-	(300,016)
<b>Net Financing Sources (Uses)</b>	<b>(300,016)</b>	<b>-</b>	<b>300,016</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>468,983</b>	<b>87,984</b>	<b>117,479</b>	<b>674,446</b>
<b>Fund Balance - Beginning, as Restated</b>	<b>636,199</b>	<b>1,039,110</b>	<b>1,129,240</b>	<b>2,804,549</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,105,182</b>	<b>\$ 1,127,094</b>	<b>\$ 1,246,719</b>	<b>\$ 3,478,995</b>

The accompanying notes are an integral part of these financial statements.

**ORLAND UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Net Change in Fund Balances - Governmental Funds** \$ 674,446

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 136,428	
Depreciation expense:	<u>(966,676)</u>	(830,248)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

283,630

Deferred amounts on refunding:

In governmental funds, deferred amounts on refundings are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refundings are amortized over the life of the debt. The net effect of the deferred amounts on refundings during the period was:

(280,221)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(46,113)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(525,348)

The accompanying notes are an integral part of these financial statements.

**ORLAND UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (1,026)

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods were: 124,965

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (265,586)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (23,562)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: (152,197)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 13,035

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 294,402

**Change in Net Position of Governmental Activities**

**\$ (733,823)**

The accompanying notes are an integral part of these financial statements.

ORLAND UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2015

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,827,679
Accounts receivable	63,184
Total current assets	<u>1,890,863</u>
<b>Total Assets</b>	<u><u>1,890,863</u></u>
<b>LIABILITIES</b>	
Non-current liabilities	908,607
<b>Total Liabilities</b>	<u><u>908,607</u></u>
<b>NET POSITION</b>	
Unrestricted	982,256
<b>Total Net Position</b>	<u><u>\$ 982,256</u></u>

The accompanying notes are an integral part of these financial statements.

ORLAND UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 3,877,052
Other local revenues	202,680
<b>Total operating revenues</b>	<u>4,079,732</u>
 <b>OPERATING EXPENSE</b>	
Professional services	3,787,078
<b>Total operating expenses</b>	<u>3,787,078</u>
<b>Operating income/(loss)</b>	<u>292,654</u>
 <b>NON-OPERATING REVENUES/(EXPENSES)</b>	
Interest income	1,748
<b>Total non-operating revenues/(expenses)</b>	<u>1,748</u>
 <b>CHANGE IN NET POSITION</b>	294,402
<b>Net Position - Beginning</b>	687,854
<b>Net Position - Ending</b>	<u>\$ 982,256</u>

The accompanying notes are an integral part of these financial statements.



**ORLAND UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>	
Cash received (paid) from assessments made to (from) other funds	\$ 4,345,532
Cash payments for payroll, insurance, and operating costs	(3,669,973)
Net cash provided by (used for) operating activities	<u>675,559</u>
<b>Cash flows from investing activities</b>	
Interest received	1,748
Net cash provided by (used for) investing activities	<u>1,748</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>677,307</u>
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	1,150,372
End of year	<u>\$ 1,827,679</u>
 <b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ 292,654
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	265,800
Increase (decrease) in claims liabilities	117,105
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 675,559</u>

The accompanying notes are an integral part of these financial statements.

ORLAND UNIFIED SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015

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	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 111,711
<b>Total Assets</b>	<u>\$ 111,711</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 111,711
<b>Total Liabilities</b>	<u>\$ 111,711</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Orland Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non - Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Debt Service Fund:** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

Proprietary Funds

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus (*continued*)

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.



ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-15 years
Vehicles	8 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**Premiums and Discounts**

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Fund Balance** (*continued*)

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements (*continued*)

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

**GASB Statement No. 71** – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

			Total	
	Governmental Funds	Internal Service Funds	Governmental Activities	Fiduciary Funds
Cash in county	\$ 3,439,564	\$ -	\$ 3,439,564	\$ -
Cash on hand and in banks	1,000	1,827,679	1,828,679	111,711
Cash in revolving fund	3,658	-	3,658	-
<b>Total cash and cash equivalents</b>	<b>\$ 3,444,222</b>	<b>\$ 1,827,679</b>	<b>\$ 5,271,901</b>	<b>\$ 111,711</b>

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Glenn County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 2 – CASH AND INVESTMENTS (*continued*)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with an amortized book value of \$3,439,564, which approximates fair value.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2015, the pooled investments in the County Treasury were not rated.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 371,295	\$ -	\$ 144,749	\$ -	\$ 516,044
State Government					
Apportionment	7,870	-	-	-	7,870
Categorical aid	-	-	11,907	-	11,907
Lottery	189,015	-	-	-	189,015
Local Government					
Other local sources	186,898	1,180	192	63,184	251,454
<b>Total</b>	<b>\$ 755,078</b>	<b>\$ 1,180</b>	<b>\$ 156,848</b>	<b>\$ 63,184</b>	<b>\$ 976,290</b>



**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 01, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2015</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 444,595	\$ -	\$ -	\$ 444,595
Total Capital Assets not Being Depreciated	444,595	-	-	444,595
Capital assets being depreciated				
Land improvements	1,715,456	52,357	-	1,767,813
Buildings & improvements	39,825,767	-	-	39,825,767
Furniture & equipment	2,204,141	84,071	-	2,288,212
Total Capital Assets Being Depreciated	43,745,364	136,428	-	43,881,792
Less Accumulated Depreciation				
Land improvements	973,342	51,637	-	1,024,979
Buildings & improvements	9,884,600	804,404	-	10,689,004
Furniture & equipment	1,912,467	110,635	-	2,023,102
Total Accumulated Depreciation	12,770,409	966,676	-	13,737,085
<b>Governmental Activities</b>				
Capital Assets, net	\$ 31,419,550	\$ (830,248)	\$ -	\$ 30,589,302

Depreciation expense was allocated to governmental activities as follows:

Instruction	\$ 612,702
Instructional supervision and administration	8,028
Instructional library, media, and technology	15,053
School site administration	66,551
Home-to-school transportation	26,494
Food services	51,681
All other pupil services	26,250
Centralized data processing	10,812
All other general administration	57,442
Plant services	84,914
Ancillary services	6,749
	<u>\$ 966,676</u>

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2015 were as follows:

	Due From Other Funds			
	Due To Other Funds	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 451,887	\$ 451,887	\$ 451,887
Non-Major Governmental Funds	59,042	-	59,042	59,042
<b>Total Due From Other Funds</b>	<b>\$ 59,042</b>	<b>\$ 451,887</b>	<b>\$ 510,929</b>	<b>\$ 510,929</b>
Due from the Cafeteria Fund to the General Fund for health benefits error.			\$ 59,042	59,042
Due from the General Fund to the Cafeteria Fund to pay off health benefits.				151,871
Due from the General Fund to the Deferred Maintenance Fund for technology projects.				300,016
<b>Total</b>			<b>\$ 510,929</b>	<b>\$ 510,929</b>

B. Operating Transfers

Interfund transfers for the year ended June 30, 2015 consisted of a transfer from the General Fund to the Deferred Maintenance Fund in the amount of \$300,016 for technology projects.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2015 consisted of the following:

	Non-Major Governmental			Total Governmental
	General Fund	Funds	District-Wide	Activities
Payroll	\$ 59,026	\$ -	\$ -	\$ 59,026
Vendors payable	790,134	23,350	-	813,484
Unmatured interest	-	-	105,104	105,104
<b>Total</b>	<b>\$ 849,160</b>	<b>\$ 23,350</b>	<b>\$ 105,104</b>	<b>\$ 977,614</b>

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2015, consisted of federal sources totaling \$30,018 in the General Fund.

**NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

On March 31, 2014, the District issued \$1,700,000 of Tax Revenue Anticipation Notes (TRANS) bearing interest at 2.00 percent. The notes were issued to supplement cash flows. The notes matured on December 31, 2014 with repayment scheduled to occur once on December 31, 2014. On December 31, 2014, the District paid in full the interest and principal due. As of June 30, 2015, there was no remaining balance on this TRAN.

On July 9, 2014, the District issued \$1,600,000 of TRANS bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on January 30, 2015. On January 30, 2015, the District paid in full the interest and principal due. As of June 30, 2015, there was no remaining balance on this TRAN.

**NOTE 9 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	<b>Restated Balance</b>				<b>Balance</b>		<b>Balance Due</b>
	<b>July 01, 2014</b>	<b>Additions</b>	<b>Deductions</b>		<b>June 30, 2015</b>		<b>In One Year</b>
<b>Governmental Activities</b>							
General obligation bonds	\$ 17,320,222	\$ 525,348	\$ 265,000	\$	17,580,570	\$	272,599
Unamortized premium	276,907	-	16,878		260,029		16,878
Unamortized discount	(3,430)	-	(114)		(3,316)		(114)
Total general obligation bonds	17,593,699	525,348	281,764		17,837,283		289,363
Certificates of participation	4,815,000	-	-		4,815,000		-
Unamortized discount	(132,844)	-	(3,729)		(129,115)		(3,729)
Total certificates of participation	4,682,156	-	(3,729)		4,685,885		(3,729)
Capital leases	348,787	-	18,630		330,157		19,574
Early retirement incentive	297,716	152,197	124,965		324,948		106,814
Compensated absences	111,591	1,026	-		112,617		-
Net OPEB obligation	1,689,027	265,586	-		1,954,613		-
Net pension liability	16,409,800	-	3,622,957		12,786,843		-
<b>Total</b>	<b>\$ 41,132,776</b>	<b>\$ 944,157</b>	<b>\$ 4,044,587</b>	<b>\$</b>	<b>38,032,346</b>	<b>\$</b>	<b>412,022</b>

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund.

Payments on certificates of participation are made in the Building Fund.

Payments for capital lease obligations are made in the Capital Facilities Fund.

Payments for early retirement incentives are made in the General Fund.

Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

NOTE 9 – LONG-TERM DEBT (continued)

A. General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2014	Additions	Deductions	Outstanding June 30, 2015
Election 2008, Series A	June 4, 2008	August 1, 2031	3.00% - 5.00%	\$ 8,000,000	\$ 7,530,000	\$ -	\$ 100,000	\$ 7,430,000
Election 2008, Series B	March 27, 2012	August 1, 2051	1.03% - 6.00%	8,034,047	8,730,604	477,051	145,000	9,062,655
Election 2008, Series C	March 7, 2013	August 1, 2043	3.00% - 5.55%	1,020,024	1,059,618	48,297	20,000	1,087,915
					\$ 17,320,222	\$ 525,348	\$ 265,000	\$ 17,580,570

**Election of 2008**

In an election held February 5, 2008, the voters authorized the District to issue and sale \$21,900,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the acquisition, construction, furnishing and equipping of District facilities and pay certain costs of issuance associated with the bonds. There were three issuances under this election:

- Series A, which was issued on June 4, 2008 for \$8,000,000, bears interest rates ranging from 3.00% to 5.00%. The original issuance consisted of \$3,055,000 of current interest bonds and \$4,945,000 of current interest term bonds. Interest on the bonds accrues from the date of issuance and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2009. The principal balance outstanding at June 30, 2015 amounted to \$7,430,000.
- Series B, which was issued on March 27, 2012 for \$8,034,047, bears interest rates ranging from 1.03% to 6.00%. The bonds were issued to finance the acquisition, construction, furnishing and equipping of District facilities, pay certain outstanding bond anticipation notes of the District at maturity, advance refund certain outstanding certificates of participation of the District, and pay certain costs of issuance. The original issuance consisted of \$2,553,978 of capital appreciation bonds and \$5,480,069 of convertible capital appreciation bonds. The capital appreciation bonds and the convertible capital appreciation bonds, initially, accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2012. From and after their conversion date, the convertible capital appreciation bonds will become current interest bonds upon which interest is payable on February 1 and August 1 of each year through maturity. The principal balance outstanding at June 30, 2015 amounted to \$9,062,655.
- Series C, which was issued on March 7, 2013 for \$1,020,024, bears interest rates ranging from 3.00% to 5.55%. The bonds were issued to finance and refinance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance. The original issuance consisted of \$160,000 of current interest term bonds and \$860,024 of convertible capital appreciation term bonds. Interest on the current interest term bonds is payable on February 1 and August 1 of each year, commencing August 1, 2013. The convertible capital appreciation term bonds, initially, accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2013. The principal balance outstanding at June 30, 2015 amounted to \$1,087,915.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 9 – LONG-TERM DEBT (continued)

**B. Debt Service Requirements to Maturity – Bonds**

The bonds mature through 2052 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 272,599	\$ 347,293	\$ 619,892
2017	289,844	342,879	632,723
2018	316,667	342,587	659,254
2019	344,627	340,340	684,967
2020	376,536	337,536	714,072
2021 - 2025	2,444,048	1,633,695	4,077,743
2026 - 2030	3,620,312	1,445,671	5,065,983
2031 - 2035	2,546,653	1,658,702	4,205,355
2036 - 2040	754,696	2,026,282	2,780,978
2041 - 2045	1,555,362	3,592,551	5,147,913
2046 - 2050	2,324,864	5,415,136	7,740,000
2051 - 2052	1,359,174	3,165,826	4,525,000
Accretion	1,375,188	(1,375,188)	-
<b>Total</b>	<b>\$ 17,580,570</b>	<b>\$ 19,273,310</b>	<b>\$ 36,853,880</b>

**C. Certificates of Participation (COPs)**

On December 7, 2010, the District issued \$6,100,000 certificates of participation with interest rates ranging from 3.00% to 6.00%. The certificates were issued for the purpose of assisting the District in new construction and other capital enhancements. On March 27, 2012, the District issued Election 2008, Series B bonds to partially refund certain outstanding certificates. At June 30, 2015, the principal balance outstanding was \$4,815,000. The certificates mature through 2043 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ -	\$ 141,025	\$ 141,025
2017	-	282,050	282,050
2018	-	282,050	282,050
2019	-	282,050	282,050
2020	-	282,050	282,050
2021 - 2025	330,000	1,393,188	1,723,188
2026 - 2030	995,000	1,189,669	2,184,669
2031 - 2035	1,320,000	856,769	2,176,769
2036 - 2040	1,755,000	400,350	2,155,350
2041 - 2043	415,000	12,450	427,450
<b>Total</b>	<b>\$ 4,815,000</b>	<b>\$ 5,121,651</b>	<b>\$ 9,936,651</b>

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 9 – LONG-TERM DEBT (*continued*)

D. Capital Leases

On August 21, 2005, The District entered into a capital lease agreement with U.S. Bank sponsored by California School Board Association Finance Corporation to refurbish playground surface and equipment. The remaining obligation under the capital lease as of June 30, 2015 is as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2016	\$ 35,840
2017	35,838
2018	35,838
2019	35,839
2020	35,839
2021 - 2025	179,195
2026 - 2028	89,601
Total minimum lease payments	<u>447,990</u>
Less amount representing interest	<u>(117,833)</u>
Present value of minimum lease payments	<u>\$ 330,157</u>

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 9 – LONG-TERM DEBT (continued)

E. Early Retirement Incentives

The District has had several employees retire from STRS, PERS and Supplementary Early Retirement Plans

Future payments for the retirement plans are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2016	\$ 106,814
2017	110,539
2018	74,442
2019	74,442
2020	57,458
Total minimum lease payments	423,695
Less amount representing interest	(98,747)
Present value of minimum lease payments	<u>\$ 324,948</u>

F. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2015 amounted to \$112,617. This amount is included as part of long-term liabilities in the government-wide financial statements.

G. Other Postemployment Benefits

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution for the year ended June 30, 2015, was \$692,371 with net interest and other adjustments of (\$30,115) for a net annual OPEB cost of \$662,256. Contributions made by the District during the year were \$396,670, which resulted in an increase to net OPEB obligation of \$265,586. The ending OPEB balance at June 30, 2015 was \$1,954,613. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefit plan.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

NOTE 9 – LONG-TERM DEBT (continued)

H. Net Pension Liability

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The District’s restated beginning net pension liability was \$16,409,800, and decreased by \$3,622,957 during the year ended June 30, 2015. The ending net pension liability at June 30, 2015 was \$12,786,843. See Note 12 for additional information regarding the net pension liability.

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 3,658	\$ -	\$ -	\$ 3,658
Stores inventory	-	-	23,385	23,385
Prepaid expenditures	810	-	-	810
Total non-spendable	4,468	-	23,385	27,853
Restricted				
Educational programs	259,669	-	-	259,669
Capital projects	-	-	161,139	161,139
Debt service	-	1,127,094	439,894	1,566,988
All others	-	-	144,469	144,469
Total restricted	259,669	1,127,094	745,502	2,132,265
Committed				
Deferred maintenance	-	-	300,726	300,726
Total committed	-	-	300,726	300,726
Assigned				
Special reserve fund	200,345	-	-	200,345
Other assignments	-	-	177,106	177,106
Total assigned	200,345	-	177,106	377,451
Unassigned				
Reserve for economic uncertainties	576,962	-	-	576,962
Remaining unassigned	63,738	-	-	63,738
Total unassigned	640,700	-	-	640,700
<b>Total</b>	<b>\$ 1,105,182</b>	<b>\$ 1,127,094</b>	<b>\$ 1,246,719</b>	<b>\$ 3,478,995</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses. See the General Fund trends schedule for additional information regarding the District’s reserves.



ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

Orland Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental, and vision insurance benefits to eligible retirees. The District implemented Governmental Accounting Standards Board Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans, in 2008-09.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	29
Active plan members	194
Total*	<u>223</u>
 Number of participating employers	 1

\*As of July 1, 2014 actuarial study

The District provides postemployment health care benefits to all employees who have rendered at least 10 years of service with the District, and who have attained age 55.

B. Funding Policy

The District will pay the medical insurance premium for qualified retired employees until the earlier of the death of the retiree, the retiree reaches the age of 65, or the retiree becomes Medicare eligible. Expenditures for the retiree health care benefits are recognized as the District pays the premiums. During the fiscal year ended June 30, 2015, expenditures of \$396,670 were recognized for postemployment health care.

As of June 30, 2015, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$	692,371
Interest on net OPEB obligation		67,561
Adjustment to annual required contribution		(97,676)
Annual OPEB cost (expense)		<u>662,256</u>
Contributions made		<u>(396,670)</u>
Increase (decrease) in net OPEB obligation		265,586
Net OPEB obligation, beginning of the year		<u>1,689,027</u>
Net OPEB obligation, end of the year	\$	<u>1,954,613</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 662,256	60%	\$ 1,954,613
2014	\$ 612,849	56%	\$ 1,689,027
2013	\$ 616,353	62%	\$ 1,419,739

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 5,655,678	\$ 5,655,678	0%	\$ 10,668,195	53%

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (*continued*)

D. Funded Status and Funding Progress (*continued*)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2014
Actuarial Cost Method	Projected unit Credit
Amortization Method	Level-Dollar
Remaining Amortization Period	29 years
Actuarial Assumptions:	
Investment rate of return	4.0%
Discount rate	4.0%
Health care trend rate	5.0% - 8.0%

**NOTE 12 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District recognized \$1,036,502 for their proportionate share of pension expense for the year ended June 30, 2015.

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

***CalSTRS 2% at 60***

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

***CalSTRS 2% at 62***

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 12 – PENSION PLANS (continued)

**California State Teachers’ Retirement System (CalSTRS) (continued)**

*CalSTRS 2% at 62 (continued)*

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**Contributions**

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$707,045 for the year ended June 30, 2015.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$499,994 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS).

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 10,070,764
States's proportionate share of the net pension liability associated with the District	6,081,162
Total	\$ 16,151,926

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was 0.017 percent, which did not change from its proportion measured as of June 30, 2013.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 12 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$869,369. In addition, the District recognized pension expense and revenue of \$524,968 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,479,906
District contributions subsequent to the measurement date	707,045	-
	<u>\$ 707,045</u>	<u>\$ 2,479,906</u>

\$707,045 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 619,977
2017	619,977
2018	619,977
2019	619,975
	<u>\$ 2,479,906</u>

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 12 – PENSION PLANS (*continued*)

California State Teachers’ Retirement System (CalSTRS) (*continued*)

**Actuarial assumptions (*continued*)**

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term* Expected Real Rate of Return</b>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	100%	

\* 10-year geometric average

**Discount rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 12 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 15,697,687	\$ 10,070,764	\$ 5,378,933

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.



NOTE 12 – PENSION PLANS (continued)

**California Public Employees’ Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits provided**

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$305,896 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability of \$2,716,079 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was 0.024 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2013.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 12 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$167,133. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 933,276
Changes in proportion and differences between District contributions and proportionate share of contributions	-	297,083
District contributions subsequent to the measurement date	305,896	-
	<u>\$ 305,896</u>	<u>\$ 1,230,359</u>

\$305,896 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 307,590
2017	307,590
2018	307,590
2019	307,589
	<u>\$ 1,230,359</u>

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 12 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Actuarial assumptions (continued)**

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 12 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Discount rate**

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
District's proportionate share of the net pension liability	\$ 4,764,622	\$ 2,716,079	\$ 1,004,314

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

**C. Construction Commitments**

As of June 30, 2015, the District had no commitments with respect to unfinished capital projects.

**NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District is a member of two joint powers authorities (JPAs). The first is the Golden State Risk Management Authority (GRSMA) and the other is the Schools Excess Liability Fund (SELF). The JPAs arrange for and provide property and liability insurance for member districts. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities.

**NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**Refunded Debt**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2015, the deferred amount on refunding was \$280,222.

ORLAND UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

**Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District’s deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>
STRS Pension	\$ 707,045	\$ 2,479,906
PERS Pension	305,896	1,230,359
<b>Total</b>	<b>\$ 1,012,941</b>	<b>\$ 3,710,265</b>

NOTE 16 – RESTATEMENT OF NET POSITION/FUND BALANCE

The beginning net position of Governmental Activities has been restated in order to record the District’s proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The beginning net position was also restated to properly state Certificates of Participation and property tax revenue for the prior year. The effect on beginning net position is presented as follows:

	<b>Governmental Activities</b>
Net Position - Beginning, as Previously Reported	\$ 10,077,209
Restatement for GASB 68	(15,460,605)
Restatement of Certificates of Participation	950,000
Restatement for property tax revenue overage	(336,780)
Net Position - Beginning, as Restated	<b>\$ (4,770,176)</b>

The beginning fund balance of the Bond Interest and Redemption Fund was restated to properly state prior year property taxes as follows:

	<b>Bond Interest and Redemption Fund</b>
Fund Balance - Beginning, as Previously Reported	\$ 1,375,890
Restatement for property tax revenue overage	(336,780)
Fund Balance - Beginning, as Restated	<b>\$ 1,039,110</b>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**ORLAND UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 16,798,896	\$ 17,279,616	\$ 17,394,381	\$ 114,765
Federal sources	928,220	1,017,725	967,075	(50,650)
Other state sources	376,189	652,416	628,216	(24,200)
Other local sources	904,748	940,248	1,011,381	71,133
<b>Total Revenues</b>	<b>19,008,053</b>	<b>19,890,005</b>	<b>20,001,053</b>	<b>111,048</b>
<b>EXPENDITURES</b>				
Certificated salaries	8,086,929	8,084,534	8,154,150	(69,616)
Classified salaries	2,354,496	2,474,258	2,514,047	(39,789)
Employee benefits	5,000,130	4,725,664	4,599,818	125,846
Books and supplies	516,511	877,038	921,175	(44,137)
Services and other operating expenditures	2,027,455	2,449,791	2,491,985	(42,194)
Capital outlay	-	-	92,697	(92,697)
Other outgo				
Excluding transfers of indirect costs	181,839	389,166	458,183	(69,017)
<b>Total Expenditures</b>	<b>18,167,360</b>	<b>19,000,451</b>	<b>19,232,055</b>	<b>(231,604)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>840,693</b>	<b>889,554</b>	<b>768,998</b>	<b>(120,556)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(13,745)	-	(500,027)	(500,027)
<b>Net Financing Sources (Uses)</b>	<b>(13,745)</b>	<b>-</b>	<b>(500,027)</b>	<b>(500,027)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>826,948</b>	<b>889,554</b>	<b>268,971</b>	<b>(620,583)</b>
<b>Fund Balance - Beginning</b>	<b>635,866</b>	<b>635,866</b>	<b>635,866</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,462,814</b>	<b>\$ 1,525,420</b>	<b>\$ 904,837</b>	<b>\$ (620,583)</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$499,994 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.



**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2014	\$ -	\$ 5,655,678	\$ 5,655,678	0%	\$ 10,668,195	53%
July 1, 2010	\$ -	\$ 4,982,145	\$ 4,982,145	0%	\$ 10,447,959	48%
July 1, 2008	\$ -	\$ 6,085,972	\$ 6,085,972	0%	\$ 10,155,686	60%

See accompanying note to required supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.017%
District's proportionate share of the net pension liability	\$ 10,070,764
States's proportionate share of the net pension liability associated with the District	6,081,162
Total	<u>\$ 16,151,926</u>
District's covered-employee payroll	\$ 7,962,241
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	126.5%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%

See accompanying note to required supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
 CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.024%
District's proportionate share of the net pension liability	\$ 2,716,079
District's covered-employee payroll	\$ 2,281,588
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.0%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%

See accompanying note to required supplementary information.

ORLAND UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
 FOR THE YEAR ENDED JUNE 30, 2015

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	<u>June 30, 2015</u>
Contractually required contribution	\$ 707,045
Contributions in relation to the contractually required contribution*	(707,045)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 7,962,241
Contributions as a percentage of covered-employee payroll	8.88%

\*Amounts do not include on behalf contributions

ORLAND UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2015

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	<u>June 30, 2015</u>
Contractually required contribution	\$ 305,896
Contributions in relation to the contractually required contribution	(305,896)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 2,281,588
Contributions as a percentage of covered-employee payroll	13.41%

See accompanying note to required supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2015, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 8,084,534	\$ 8,154,150	\$ 69,616
Classified salaries	\$ 2,474,258	\$ 2,514,047	\$ 39,789
Books and supplies	\$ 877,038	\$ 921,175	\$ 44,137
Services and other operating expenditures	\$ 2,449,791	\$ 2,491,985	\$ 42,194
Capital outlay	\$ -	\$ 92,697	\$ 92,697
Other outgo			
Excluding transfers of indirect costs	\$ 389,166	\$ 458,183	\$ 69,017

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**SUPPLEMENTARY  
INFORMATION**

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**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 490,773
Title II, Part A, Teacher Quality	84.367	14341	102,789
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	62,591
Title III, Immigrant Education Program	84.365	15146	8,180
Subtotal Title III Cluster			<u>70,771</u>
Title VI, Part B, Rural & Low Income School Program	84.358B	14356	34,971
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	224,267
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	22,468
Advanced Placement Test Fee Program	84.330B	14831	2,072
<b>Total U. S. Department of Education</b>			<u><u>948,111</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Needy	10.553	13526	228,448
National School Lunch Program	10.555	13391	671,629
Meal Supplements	10.555	*	26,555
USDA Commodities	10.555	*	79,131
Subtotal Child Nutrition Cluster			<u>1,005,763</u>
Child Nutrition Equipment Assistance Grants	10.579	14906	6,373
Forest Reserve Funds	10.665	10044	18,964
<b>Total U. S. Department of Agriculture</b>			<u>1,031,100</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 1,979,211</u></u>

\* - Pass-Through Entity Identifying Number not available or not applicable

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>Second Period Report</b>	<b>Revised Second Period Report*</b>	<b>Annual Report</b>
SCHOOL DISTRICT			
TK/K through Third			
Regular ADA	679.73	679.73	678.40
Total TK/K through Third	679.73	679.73	678.40
Fourth through Sixth			
Regular ADA	460.37	460.37	459.62
Total Fourth through Sixth	460.37	460.37	459.62
Seventh through Eighth			
Regular ADA	295.70	295.70	295.30
Community Day School	1.20	1.20	1.98
Total Seventh through Eighth	296.90	296.90	297.28
Ninth through Twelfth			
Regular ADA	725.60	725.29	723.83
Community Day School	3.58	3.58	3.76
Total Ninth through Twelfth	729.18	728.87	727.59
TOTAL SCHOOL DISTRICT	2,166.18	2,165.87	2,162.89

\* District has not yet revised the second period report.

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Minutes Requirement Reduced</b>	<b>2014-15 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	35,000	36,000	180	Complied
Grade 1	50,400	49,000	51,514	180	Complied
Grade 2	50,400	49,000	51,514	180	Complied
Grade 3	50,400	49,000	51,618	180	Complied
Grade 4	54,000	52,500	54,247	180	Complied
Grade 5	54,000	52,500	54,247	180	Complied
Grade 6	54,000	52,500	55,237	180	Complied
Grade 7	54,000	52,500	55,237	180	Complied
Grade 8	54,000	52,500	55,237	180	Complied
Grade 9	64,800	63,000	64,485	180	Complied
Grade 10	64,800	63,000	64,485	180	Complied
Grade 11	64,800	63,000	64,485	180	Complied
Grade 12	64,800	63,000	64,485	180	Complied

See accompanying note to supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016 (Budget)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 22,589,680	\$ 20,001,053	\$ 17,797,132	\$ 16,972,457
Expenditures And Other Financing Uses	22,469,268	19,732,082	17,136,833	17,862,245
Net change in Fund Balance	\$ 120,412	\$ 268,971	\$ 660,299	\$ (889,788)
Ending Fund Balance	\$ 1,025,249	\$ 904,837	\$ 635,866	\$ 679,820
Available Reserves*	\$ 686,128	\$ 640,700	\$ 160,963	\$ 657,069
Available Reserves As A Percentage Of Outgo	3.05%	3.25%	0.94%	3.68%
Long-term Debt	\$ 37,620,324	\$ 38,032,346	\$ 25,672,976	\$ 25,304,810
Average Daily Attendance At P-2	2,109	2,166	2,115	2,062

The General Fund balance has increased by \$225,017 over the past two years. The fiscal year 2015-16 budget projects an increase of \$120,412. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long term obligations have increased by \$12,727,536 over the past two years.

Average daily attendance has increased by 104 ADA over the past two years. A decrease of 57 ADA is anticipated during the 2015-16 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

\*\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54. On behalf payments of \$499,994 are also not included in the actual revenues and expenditures reported in this schedule.

**ORLAND UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Debt Service Fund	Self-Insurance Fund
June 30, 2015, annual financial and budget report fund balance	\$ 904,837	\$ 200,345	\$ -	\$ 68,592
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Increase in cash with fiscal agent	-	-	439,894	-
Increase in cash in banks	-	-	-	823,575
Decrease in accounts receivable	-	-	-	(7,588)
Decrease in claims liability	-	-	-	97,677
Fund balance transfer (GASB 54)	200,345	(200,345)	-	-
Net adjustments and reclassifications	200,345	(200,345)	439,894	913,664
June 30, 2015, audited financial statement fund balance	\$ 1,105,182	\$ -	\$ 439,894	\$ 982,256

See accompanying note to supplementary information.

ORLAND UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 JUNE 30, 2015

	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Non-Major Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 95,429	\$ 709	\$ 52,062	\$ 108,260	\$ 637	\$ 439,894	\$ 696,991
Accounts receivable	156,656	1	76	114	1	-	156,848
Due from other funds	151,871	300,016	-	-	-	-	451,887
Stores inventory	23,385	-	-	-	-	-	23,385
<b>Total Assets</b>	<b>\$ 427,341</b>	<b>\$ 300,726</b>	<b>\$ 52,138</b>	<b>\$ 108,374</b>	<b>\$ 638</b>	<b>\$ 439,894</b>	<b>\$ 1,329,111</b>
<b>LIABILITIES</b>							
Accrued liabilities	\$ 23,339	\$ -	\$ -	\$ 11	\$ -	\$ -	\$ 23,350
Due to other funds	59,042	-	-	-	-	-	59,042
<b>Total Liabilities</b>	<b>82,381</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>82,392</b>
<b>FUND BALANCES</b>							
Non-spendable	23,385	-	-	-	-	-	23,385
Restricted	144,469	-	52,138	108,363	638	439,894	745,502
Committed	-	300,726	-	-	-	-	300,726
Assigned	177,106	-	-	-	-	-	177,106
<b>Total Fund Balances</b>	<b>344,960</b>	<b>300,726</b>	<b>52,138</b>	<b>108,363</b>	<b>638</b>	<b>439,894</b>	<b>1,246,719</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 427,341</b>	<b>\$ 300,726</b>	<b>\$ 52,138</b>	<b>\$ 108,374</b>	<b>\$ 638</b>	<b>\$ 439,894</b>	<b>\$ 1,329,111</b>

See accompanying note to supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Debt Service Fund	Non-Major Governmental Funds
<b>REVENUES</b>							
Federal sources	\$ 1,012,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,012,136
Other state sources	78,815	-	-	-	-	-	78,815
Other local sources	139,107	3	373	95,277	2	-	234,762
<b>Total Revenues</b>	<b>1,230,058</b>	<b>3</b>	<b>373</b>	<b>95,277</b>	<b>2</b>	<b>-</b>	<b>1,325,713</b>
<b>EXPENDITURES</b>							
Current							
Pupil services							
Food services	1,146,296	-	-	-	-	-	1,146,296
General administration							
All other general administration	-	-	-	600	-	-	600
Facilities acquisition and maintenance	-	-	6,135	37,358	-	-	43,493
Debt service							
Principal	-	-	-	18,630	-	-	18,630
Interest and other	-	-	282,022	17,209	-	-	299,231
<b>Total Expenditures</b>	<b>1,146,296</b>	<b>-</b>	<b>288,157</b>	<b>73,797</b>	<b>-</b>	<b>-</b>	<b>1,508,250</b>
<b>Excess (Deficiency) of Revenues</b>							
<b>Over Expenditures</b>	<b>83,762</b>	<b>3</b>	<b>(287,784)</b>	<b>21,480</b>	<b>2</b>	<b>-</b>	<b>(182,537)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	300,016	-	-	-	-	300,016
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>300,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300,016</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>83,762</b>	<b>300,019</b>	<b>(287,784)</b>	<b>21,480</b>	<b>2</b>	<b>-</b>	<b>117,479</b>
<b>Fund Balance - Beginning</b>	<b>261,198</b>	<b>707</b>	<b>339,922</b>	<b>86,883</b>	<b>636</b>	<b>439,894</b>	<b>1,129,240</b>
<b>Fund Balance - Ending</b>	<b>\$ 344,960</b>	<b>\$ 300,726</b>	<b>\$ 52,138</b>	<b>\$ 108,363</b>	<b>\$ 638</b>	<b>\$ 439,894</b>	<b>\$ 1,246,719</b>

See accompanying note to supplementary information.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2015

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NOTE 1 – PURPOSE OF SCHEDULES

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

**Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Combining Statements – Non-Major Governmental Funds**

These statements provide information on the District's non-major governmental funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report).



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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board  
Orland Unified School District  
Orland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orland Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Orland Unified School District's basic financial statements, and have issued our report thereon dated December 4, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Orland Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Orland Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Orland Unified School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Orland Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Chisty White Associates".

San Diego, California  
December 4, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board  
Orland Unified School District  
Orland, California

**Report on Compliance for Each Major Federal Program**

We have audited Orland Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Orland Unified School District's major federal programs for the year ended June 30, 2015. Orland Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Orland Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Orland Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Orland Unified School District's compliance.

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### *Opinion on Each Major Federal Program*

In our opinion, Orland Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of Orland Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Orland Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Orland Unified School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
December 4, 2015

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board  
Orland Unified School District  
Orland, California

#### **Report on State Compliance**

We have audited Orland Unified School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Orland Unified School District's state programs for the fiscal year ended June 30, 2015, as identified below.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Orland Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Orland Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Orland Unified School District's compliance with those requirements.

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***Opinion on State Compliance***

In our opinion, Orland Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as item #2015-1. Our opinion on state compliance is not modified with respect to these matters.

Orland Unified School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Orland Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Procedures Performed***

In connection with the audit referred to above, we selected and tested transactions and records to determine Orland Unified School District’s compliance with the state laws and regulations applicable to the following items:

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time for school districts	Yes
Instructional Materials, general requirements	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Not Applicable
California Clean Energy Jobs Act	No

*(Continued on the next page)*

*Procedures Performed (continued)*

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

No procedures were performed on the California Clean Energy Jobs Act as there were no expenditures for June 30, 2015.

*Christy White Associates*

San Diego, California  
December 4, 2015



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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**ORLAND UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

ORLAND UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

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FIVE DIGIT CODE

20000

30000

60000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

Miscellaneous

*There were no financial statement findings for the year ended June 30, 2015.*

ORLAND UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2015.*

**ORLAND UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2015-1 CONTINUATION EDUCATION INDEPENDENT STUDY (10000)**

**Criteria:** Under Education Code Section 51745(b), not more than 10% of each continuation high school's ADA at P2 (exclusive of ADA for a pupil who was pregnant or was a parent and the child's primary caregiver) can be generated through independent study.

**Condition:** Through testing at North Valley School, it was noted that independent study ADA exceeded the allowable 10% threshold. The total continuation high school ADA at P-2 totaled 23.11, and the independent study generated ADA at P-2 totaled 2.62, giving rise to an excess of 1.34%.

**Cause:** Clerical oversight.

**Perspective/Context:** Auditor tested the independent study ADA for the continuation high school.

**Effect:** Non-compliance with Education Code.

**Questioned Costs:** The District would have to reduce their P-2 ADA for continuation education in grade span 9-12 by 0.31 ADA in order to be in compliance. Based on base grant funding per pupil of \$8,712, the estimated questioned cost is \$2,701.

**Recommendation:** We recommend that the District revise the P-2 Attendance Report in order to be in compliance with Education Code.

**District Response:** The continuation education independent study ADA error for North Valley is acknowledged. A revised P2 will be submitted to reflect the reduction of .31 ADA.

ORLAND UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

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**FINDING #2014-1 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (60000)**

**Criteria:** In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, an actuarial study is required at least biennially for other postemployment benefit (OPEB) plans with a total membership of 200 or more. The actuarial study enables the District to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting.

**Condition:** The District’s most recent actuarial study is dated July 1, 2010. As of June 30, 2014, the District was not in compliance with the biannual requirement for its actuarial study.

**Context:** The incident appears isolated. Since the required implementation of GASB Statement No. 45 by the District, the District has obtained the initial actuarial study as well as the most recent actuarial study covering the fiscal years 2011-12 and 2012-13.

**Effect:** The District is not in compliance with the requirement of GASB Statement No. 45. The recent actuarial study may not properly estimate the District’s OPEB liability as of June 30, 2014.

**Cause:** The District has had turnover in key positions over the past year. This oversight was largely due that that fact.

**Recommendation:** We recommend that the District obtain a new actuarial study on its OPEB obligation for the fiscal year 2014-15 and rely on the study for only two fiscal years before obtaining another OPEB actuarial study.

**District Response:** The District will obtain an actuarial study in fiscal year 2014-15.

**Current Status:** Implemented.

ORLAND UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2015

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**FINDING #2014-2: ASSOCIATED STUDENT BODY (ASB) CONTROLS (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

**Condition:** Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

*C.K. Price Middle School*

- The site has not been collecting W9's for all independent contractors. Auditor informed ASB bookkeeper and the bookkeeper has agreed to start collecting W9's for all independent contractors.
- A budget is currently not being prepared or adopted by Student Council and meeting minutes are not being kept.

*Orland High School*

- For the 2013-14 school year, the ASB bank account did not have monthly bank reconciliations. The QuickBooks software was also not reconciled during the year.

**Cause:** Insufficient controls over student body activities.

**Effect:** The potential for irregularities in accounting to go undetected.

**Recommendations:** The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

**District Response:** The district has reviewed the issues with the Student Body Accounts. The district will provide all ASB bookkeepers and other staff members associated with ASB activities adequate training. The district will take an active role in monitoring the ASB accounts during the school year to ensure compliance in accordance with FCMAT ASB Accounting.

**Current Status:** Implemented.

ORLAND UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2015

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**FINDING #2014-3: INTERNAL CONTROLS - CASH RECIEPTS (30000)**

**Criteria:** The District should have strong internal control procedures in place for cash receipting and collections at the District Office to ensure adequate segregation of duties. These internal control procedures should also include timely deposits following the collection of funds.

**Condition:** During our testing of internal control procedures related to cash receipting at the district level we noted deficiencies in internal controls related to segregation of duties and untimely deposits.

**Context:** During our testing of cash receipts at the District Office, we noted the following internal control weaknesses:

- 7 out of 25 cash receipts tested appear to be deposited in an untimely manner. These 7 deposits were deposited over one month after the funds were collected.
- Our review of cash receipting internal controls noted that the account clerk is responsible for collecting checks, recording a check register, making the deposit, and reconciling the deposit. Although the business manager is responsible for reviewing bank reconciliations and batch deposit, we recommend that the district segregate the responsibilities of receiving any cash and recording any collections.

**Effect:** Deficiencies in internal controls related to cash receipting procedures could lead to inaccuracies or increase the risk of misappropriation of funds.

**Cause:** Clerical oversight as well as improper design of internal controls.

**Recommendation:** We recommend that all deposits are made in a timely manner following the collection of funds, no more than 2 weeks after the date of collection. We also recommend that the duties related to cash receipting be segregated between at least two employees

**District Response:** The district implemented segregation of duties for collection/recording of receivables and a weekly deposit requirement in September of 2014.

**Current Status:** Implemented.



ORLAND UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2015

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**FINDING #2014-4: INTERNAL CONTROLS – CASH DISBURSEMENTS (30000)**

**Criteria:** Expenditures going through the purchasing process should obtain proper approval to ensure funds are encumbered prior to purchases.

**Condition:** During our testing of internal control over cash disbursements, it was noted that not all expenditures made by the District are obtaining proper pre-approval prior to expenses being made.

**Cause:** Insufficient controls over purchasing.

**Effect:** The possibility to circumvent the purchasing process and not encumber funds.

**Context/Perspective:** Three (3) out of 25 cash disbursements.

**Questioned Costs:** None

**Recommendation:** We recommend that the District revise internal controls and ensure that all expenditures made by the District are pre-approved prior to the expenses being made.

**District Response:** The district has been working on internal controls policies to address purchasing procedures. Key staff have initially been instructed in proper procedures for purchasing, contracts, and the approval process.

**Current Status:** Implemented.

ORLAND UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2015

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**FINDING #2014-5: ANNUAL ATTENDANCE REPORT (10000)**

**Criteria:** Under Education Code Section 46303, if any inappropriately or inaccurately reported units of Average Daily Attendance are identified through the foregoing audit process, recalculate the correct number of units of Average Daily Attendance and advise the District to make the corresponding adjustments to revised attendance reports.

**Condition:** Through our testing of the Annual Attendance report, we noted that the Annual Attendance Report submitted to the state does not match the supporting documentation provided by the District. We noted a variance of 4 ADA (understated) between Annual Attendance Report and supporting documentation. We also noted that the informational Line B-1 to B-5 items on the Annual Attendance Report were not being reported on the annual attendance report. The understatement of ADA by grade span is noted below:

- TK/K-3: 0.33 ADA understated
- Grades 4-6: 0.16 ADA understated
- Grades 7-8: 1.92 ADA understated
- Grades 9-12: 1.59 ADA understated

**Cause:** Clerical oversight, according to district staff as well as turnover in the business manager position

**Perspective/Context:** Auditor tested the Annual Attendance report, including attendance for 5 sites.

**Effect:** Non-compliance with Education Code and internal control weakness.

**Questioned Costs:** None

**Recommendation:** We recommend that the District revise the Annual Attendance Report to reconcile to attendance reports from the school sites as well as report the informational items on Line B-1 to B-5

**District Response:** The district will revise the Annual Attendance Report to reflect correct ADA as well as informational items.

**Current Status:** Implemented.